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SUBJECT: KAZAKHSTAN AND INDIA SEEK TO REVIVE BILATERAL TIES

Classified By: Pol/Econ Chief Steven Fagin, Reasons 1.4 (b) and (d)

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Summary  
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11. (C) Bilateral relations between Kazakhstan and India started off strongly following Kazakhstan's independence, but the momentum has slowed since then. Both sides appear to be interested in reviving ties, and President Nazarbayev is expected to visit to India in November -- his first trip there in six years. During the April 7-10 visit to Kazakhstan of Indian Vice President Ansari, the two sides had cordial discussions, but no agreements were signed. Kazakhstan-India trade has increased significantly in recent years, but from a very low level. Trade barriers include the high cost of goods transportation due to a lack of viable overland trade routes. Thus far, Kazakhstan and India have not made headway in developing bilateral mil-mil cooperation. On a more positive note, cultural and people-to-people contacts are increasing. We believe that, especially in comparison with Russia, the U.S., China, and the European Union, India will remain of only limited importance in Kazakhstan's strategic vision. End Summary.

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Kazakhstan-India Relations: Quick Start, Lost Momentum  
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12. (C) Kazakhstan-India bilateral relations got off to a quick start following Kazakhstan's December 1991 declaration of independence, but the momentum appears to have slowed since then -- with Kazakhstan emphasizing ties to the North (Russia), West (Europe and the U.S.), and East (China), over those to the South. India was, in fact, among the first nations to recognize Kazakhstan's independence, and President Nazarbayev made a state visit to New Delhi in February 1992 to formally establish bilateral diplomatic relations. Nazarbayev made two subsequent state visits to India, first in December 1996 and again in February 2002, when he endorsed India's bid to become a permanent member of the UN Security Council. However, Nazarbayev has not been back to Delhi in over six years.

13. (C) During a February 11 meeting in Astana, Foreign Minister Tazhin told visiting Assistant Secretary Boucher that India, with its vast population and burgeoning economic growth, held real potential for Kazakhstan. The Kazakhstani government, he explained, hoped to revitalize ties with New Delhi in the coming year, including through a "state visit." It was subsequently announced in April that Nazarbayev will visit India in November.

14. (C) As a prelude, Indian Vice President Mohammad Ansari -- who also serves as Chairman of the upper house of India's parliament -- visited Kazakhstan during April 7-10 together with an Indian parliamentary delegation, at the invitation of

Kazakhstani Senate Chairman Tokayev. Ansari met with President Nazarbayev, Prime Minister Masimov, and Foreign Minister Tazhin, and addressed the Kazakhstani parliament. According to the presidential press service, Nazarbayev and Ansari discussed expanding cooperation in economics, trade, and information technology, and strengthening inter-parliamentary ties. They also touched on oil and gas cooperation, including regarding the Satpayev oil block on the Caspian shelf. Ansari thanked Nazarbayev for Kazakhstan's role in assisting India in getting observer status in the Shanghai Cooperation Organization (SCO). In addition to his government meetings in Astana, Ansari also visited Almaty, where he was awarded an honorary doctorate by Al-Farabi University. In a speech at Al-Farabi, Ansari stressed the inter-connections between Central and South Asia. Indian Embassy diplomat George Raju told us that while Ansari was received warmly by the Kazakhstani government, there were no agreements signed, and no major projects were discussed in any detail.

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Commercial Ties Growing -- But From A Low Level  
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15. (SBU) During the Ansari visit, the sides agreed to set up an experts working group to explore ways to increase trade and commerce. Indian Embassy officials told us they see the potential for significant trade expansion. In fact, Kazakhstan-India trade turnover increased by 76 percent from 2005 to 2006, from \$120 million to \$210 million. However, to put this into context, the \$210 million figure represented just 0.3 percent of Kazakhstan's overall 2006 trade turnover of \$62 billion. (Note: Looking at this from the Indian perspective, Kazakhstan was not even among India's top 50

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trade partners. End Note.) By contrast, Russia, China, and the EU accounted for approximately 80 percent of Kazakhstan's trade. In addition, in 2006, Indian investment in Kazakhstan was a miniscule \$16 million.

16. (C) The Indian Embassy admitted to us that there are a number of barriers to increased bilateral trade, including insufficient information about each country's markets, language barriers, and the high cost of goods transportation due to a lack of viable overland trade routes. Commercial relations are also hampered by lack of an Indian chamber of commerce or similar organization in Kazakhstan that could relay information about Indian companies and lobby for Indian business interests. Indian companies, not surprisingly, complain about unpredictable and "arbitrary" treatment by Kazakhstani tax and customs authorities. For instance, in 2006, Larsen and Toubro, India's largest engineering and construction conglomerate, ended their operations in Kazakhstan, allegedly because of persistent problems encountered with red tape and corruption.

17. (SBU) India is not a meaningful player in Kazakhstan's oil and gas sector, though India's ONGC Videsh Ltd. has attempted to secure investment deals on Caspian offshore blocks and has held talks with KazMunayGaz (KMG) and Kazakhstani officials on oil transportation issues. Indian Oil Corp., Turkey's Calik Energy, and KMG are also negotiating to jointly build an oil refinery in Ceyhan, Turkey. The Indian Ambassador to Kazakhstan has repeatedly stated that India is interested in expanding its ties with Kazakhstan in the civilian nuclear power sector. Kazakhstan holds the world's second largest reserves of uranium -- a resource of great interest to India.

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Mil-Mil Ties: Lost Opportunities  
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18. (C) Though Nazarbayev and Ansari reportedly also discussed "military-technical cooperation," Kazakhstan and India have not managed to succeed in establishing meaningful mil-mil

ties. The Indian Embassy told us that Kazakhstani Defense Minister Akhmetov, Defense Chief General Altynbayev, and Navy Chief Rear Admiral Komratov had been invited to visit India from February 15-18. (Note: This information has been reported separately via DOD channels. End Note.) The visit was to take place during a military equipment exposition, which was attended by more than 50 national delegations. The Indian Defense Ministry had made a special effort to get a meeting between Akhmetov and Indian Defense Minister Antony. However, two days before the scheduled visit, Kazakhstani Defense Ministry officials informed the Indian side that Akhmetov had decided to travel to Russia instead. Altynbayev's staff separately informed the Indians that he could also not attend. (Note: Once Akhmetov declined, Altynbayev may have had to back out as well for Kazakhstani protocol reasons. End Note.)

¶9. (C) The Indians feel snubbed since this is the second time that a senior Kazakhstani defense delegation has cancelled a visit recently. In August 2007, Deputy Defense Minister Sembinov cancelled his trip to India with no explanation. At this time, we believe there is little enthusiasm on either side for pushing forward with a Kazakhstan-India bilateral security program.

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Cultural, Educational, and People-to-People Ties  
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¶10. (SBU) There is brighter news on other fronts. Cultural, educational, and people-to-people ties between Kazakhstan and India are modest, but appear to be increasing. Indian Embassy officials estimate that there are currently 2500 Indian nationals in Almaty (including up to 1000 Indian medical students), about 100 in Astana, and about 40-50 in the Temirtau-Karaganda region working for the steel producer ArcelorMittal. Astana's Eurasian National University and Almaty's Al-Farabi University have started offering Hindi classes in their oriental languages departments and have established exchange programs with India. In March, the first center for Kazakh language and studies opened at Delhi's Jamia Milia Islamia University.

¶11. (SBU) In Kazakhstan's larger cities, we have noticed a growing interest in Indian traditions, including vegetarian cuisine, yoga, and dance. The Indian government established an Indian Cultural Center (ICC) in 1992, which was moved from Almaty to Astana in January 2008. The ICC offers regular yoga classes, cooking demonstrations, Indian cinema, and Hindi language classes.

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¶12. (SBU) Kazakhstan's principal airline, Air Astana, offers twice a week service between Almaty to Delhi, though at inconvenient hours. Talks are underway to increase service to three times per week. We have observed that passengers on this route are mainly Kazakhstani tourists, including religious pilgrims (Hare Krishna and Sai Baba followers), and yoga enthusiasts. There are also Kazakhstani vendors who buy Indian goods to sell in Kazakhstan. Indians coming to Kazakhstan on the flight appear to be either business people or students.

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Comment  
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¶13. (C) While there appears to be interest on both sides in expanding bilateral relations across a number of fronts, India will likely continue to play a limited role in Kazakhstan's strategic vision. Lack of overland trade routes puts India at a huge commercial disadvantage, especially relatively to China. Geographic realities also make it unlikely that meaningful quantities of Kazakhstani oil and gas can be moved to the Indian market. The simple

fact of the matter is that geo-politics, history, mutual commercial benefit, and the aspirations of the Kazakhstani leadership portend a continued focus on Kazakhstani ties to the North, West, and East, rather than South. End Comment.  
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